

## Chapter 6

# Sustainability Versus Ideology in the Forests

**Abstract** This chapter begins with an historical perspective on the shifting paradigm of environmental stability. It reviews the original conception of natural resource depletion as argued by Malthus, and his inheritors in the twentieth century: the Club of Rome, Ehrlich and others. The case for comprehensive environmental collapse was not well argued at this point, and as a consequence was set upon by economists and growth protagonists. Nevertheless, it may be that as environmental and natural resource constraints become more evident at the global scale – as seems to be the case for the climate change scenario – some of this earlier concern may come to be seen as premature, rather than fundamentally wrong.

While there exists a great deal of work on the microeconomics of forest use and value, there has been relatively little on linking forest outcomes (or indeed environmental ones) to macroeconomic policy: in Chapter 7 of this book, further exploration of this issue is undertaken. Concerns of this nature have not featured strongly in the raft of multilateral agreements on global environmental stability and forests: these agreements and their implications are reviewed briefly in the chapter.

One of the reasons why broad linkages of cause-and-effect in forests has not always been addressed is due to the presence in many of the international forests constituency groups involved of highly ideological and restrictive interpretations of what needs to be done. The chapter closes with an illustrative case study of this, based on the World Bank's forests policy.

The issue posed in the title to this chapter above can only be dealt with after the much larger subject of the sustainability of the full set of natural resources upon which humanity depends for its long term survival and progress is addressed. At this level of aggregation, forests are treated in discussion immediately following as an element (albeit an important one) in the rapidly evolving global sustainability picture. Once this broader context is established, the specific issues defining the forests situation will be considered, later in this chapter.

## 6.1 Global Environmental Sustainability: The Shifting Paradigm

One indicator of the speed and extent to which the global sustainability paradigm has shifted in relatively recent times has already been demonstrated in this book in Chapter 2, using the example of Lawrence Summers' heroic optimism as to the sustainability of the carrying capacity of the Earth in the face of human activity, as he saw things in the early 1990s, and contrasting this with the world view demonstrated now by Nicholas Stern (Stern, 2006) who also occupied the position of Chief Economist with the World Bank, as had Summers, before moving on to becoming a leading figure in the economics of climate change.

Stern's intellectual trajectory on the issue of sustainability mirrors a growing appreciation in his profession of the fragility of many environmental systems which harbour the natural resources upon which many of the assumptions behind conventional notions on economic growth depend. There is a case for arguing that many of the most serious ramifications of mistakes that have been made in the design and implementation of the broad economic policies and growth strategies that economists have produced have been manifested in the natural resources sectors. Time and again, implicit assumptions about the continued availability of arable land, the resilience of that land under intensive farming, the supply of logs and other forest outputs, the sustainability of fisheries and, most pressingly in recent years, the viability of water supplies, have eventually been proven to have been too optimistic.

Malthus, the Club of Rome, and the environmental Kuznets curve.

To understand why environmental sustainability has taken some time to rise to significance in economists' concerns, it is necessary to briefly examine the history of the sustainability subject. Such a review indicates that, if nothing else, the main protagonists of the idea that global sustainability is at risk have not always proven to be the best advocates of their case, and at times almost seem to have concluded that the best way to market an unpleasant truth is in fact to embellish it with overblown rhetoric and horror stories sufficient to render it completely unpalatable.

This in turn produced a backlash of scepticism from economists, based largely on their conviction – perhaps even ideology – that the self correcting nature of markets would guarantee that the limits to economic growth will always be less significant and non-linear than is commonly imagined or argued by the growth pessimists.

### 6.1.1 *Malthus: The Original Prophet of Economic Doom*

The Reverend Thomas Robert Malthus (1766–1834) wrote broadly on a number of economic and social issues, including economic rent and the theory of money, and engaged in vigorous debate with the eminent economist, David Ricardo, on the

theory of value. He is best known for his *Essay on the Principle of Population*<sup>1</sup>, first published in 1798, and re-issued in much expanded form in 1803, in which he argued that:

The power of population is so superior to the power of the earth to produce subsistence to man, that premature death must in some shape or other visit the human race ...

In very reduced form, Malthus' reasoning was that, if not constrained in some way, population will increase at a geometric rate, whereas food supply can only grow at an arithmetic rate. The gloomy consequence of this was that sooner or later, population growth would outstrip the availability of sufficient food supplies.

Malthus has been criticized (from hindsight) by many in the ensuing two centuries (Engels described his ideas as "the crudest, most barbarous theory that ever existed..."). It is interesting to note, however, that since his essay was published, global population growth did grow at something like an exponential rate for a considerable part of the period (although not in Britain and Europe, which were the focus of his concerns). What Malthus did not conceive of (and could not have, given the information available to him at the time) was the massive expansion of agricultural production that has been attained over this period. Malthus did influence important figures such as Darwin and Karl Marx, and is credited by some as having motivated William Pitt the Younger's attempted amendment of the Poor Laws.

### 6.1.2 *The Inheritors of Malthus*

The best-known example in the modern era of neo-Malthusian analysis is *The Limits to Growth* (Meadows et al 1972), sponsored by the Club of Rome. The analysis of world economic developments in this study contained one of the earliest examples of application of large computer capacity to a multiparametric projection model. Using an approach called system dynamics, it linked growth patterns and demographic trends to estimates of natural resource constraints, via a series of feedback loops, which allowed given actions to be linked to their impacts on surrounding environmental conditions, and thence to the influence of that on subsequent actions, and so on.

The approach demonstrated fealty to the basic Malthusian approach, by combining exponential projections of factors such as population growth and consumption, with fixed limits on basic parameters such as land, and other non-renewable resources. Not surprisingly, given this, it concluded that within 100 years, with no major change in physical, economic and social relationships, society will run out of critical non-renewable resources, leading to massive consumption overshoots, and then economic collapse. The study concluded that piecemeal approaches to solving the

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<sup>1</sup>Published under World's Classics Series, 1983, Oxford University Press.

individual problems arising in the projected scenario will not succeed. For example, a doubling of the assumed level of resources does not change the outcome – economic collapse – but alters the cause of this to the polluting impacts of high rates of industrial growth, leading to massive pollution and the associated impacts on populations. Even if the pollution problem were to be solved, population growth would continue to accelerate to the point where food supplies are overwhelmed. Overshoot and collapse can, according to the study, only be avoided by limits on population growth, control of pollution, and (significantly, in view of subsequent reactions to the theory) serious reductions in economic growth.

The *Limits to Growth* was part of an explosion of doomsday predictions in the 1970s; another piece of work which gained great prominence at about the same time was Paul Ehrlich's *The Population Bomb* which predicted that in the 1970s and 1980s, hundreds of millions of people would starve to death, basically because of consumption outstripping supplies at a global scale. As a somewhat ironic aside on this, in 1980 Ehrlich and two other academics undertook a wager with Julian Simon (1932–1998), a well-known business economist who had expressed doubts about the dire nature of the resource depletion projections in the work of Ehrlich and others. Simon bet that the real (i.e. inflation-adjusted) price of five commodity metals would decline in real terms (suggesting relative abundance, not scarcity) by 1990. This proved to be the case, and Ehrlich paid up in 1990. Had the bet been based on the projection year 2008, however, Ehrlich would have won, because by that year, the real prices of all but one of the metals chosen had risen<sup>2</sup>, based on the 1980 base year (Bio-Law website 2008).

### **6.1.3 Growth Protagonists Push Back**

In 1975, Herman Kahn and others (Kahn et al. 1976) provided an early repudiation of the findings of the Club of Rome study, developing on the argument that technological developments would push back limits on natural resources. They suggested that population growth was in fact following an S-shaped curve, rather than a consistently exponential one, and that rates of population change would eventually decline to zero. There is little doubt that this is the case, over the relatively long term: present population projections indicate a population level for the earth of around 9.5 billion by 2050. This represents a significant slowing of the rate of change of population by that year, although it is still the case that absolute additions to the population total between now and then will be higher than the numbers added in previous equivalent periods.

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<sup>2</sup>Since then the prices have collapsed but increasing consumption may bring them back to the growth path, however, year 2008 may prove to be a short-term peak in the evolution of metal prices.

As suggested earlier, there have been numerous negative responses to the *Limits to Growth* and related studies ever since its release, from the analytical, through the essentially ideological (exemplified in the quotation from Lawrence Summers cited earlier), to the extremist. For an example of the latter, see an article<sup>3</sup> which among other things, suggests that a burgeoning population should not be of concern because

if every one of the 6 billion of us resided in Texas, there would be room enough for every family of four to have a house and 1/8 acre of land – and the rest of the globe would be vacant.

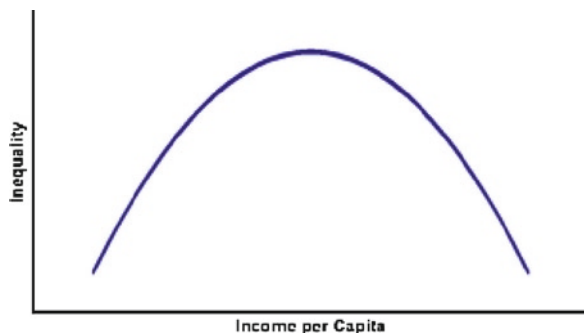
and goes on to assure us that

the “energy crisis” is now such a distant memory that these days oil is seen as the cheapest, not the most expensive liquid on Earth.

#### 6.1.4 The Environmental Kuznets Curve

In the early 1990s, articles began to appear which adapted an economic theory developed by Simon Kuznets (1955) to the question of environmental degradation. Kuznets’ original work was an analysis of the relationships between income growth and inequality, and it argued that if a measure of income equality (the ratio of income going to the top earning 20% of the population compared to the bottom earning 20%) was plotted on the vertical axis against income per capita on the horizontal axis, then an inverted U-shaped curve would result (Fig. 6.1).

The explanation offered for this pattern was that in the early stage of economic development, there is a premium on investment capital for the development of physical resources, so those capable of saving and investing most are rewarded.



**Fig. 6.1** The Kuznets relationship between income and inequality

<sup>3</sup>Stephen Moore *Defusing the population bomb* Washington Times (October 13, 1999). Excerpted from an article that appeared in *The Washington Times*, October, 1999. (c) The Cato Institute. Used by permission.

Later in development, as workers shift from rural areas and agricultural activity to the higher paying urban jobs being generated, the proportion of total income going to their wages rises, in relative terms.

The World Bank (1992) published some analytical work which plotted ambient air and water quality against GDP per capita figures and discovered a similar relationship as that indicated in the original Kuznets curve – in other words, an initially strongly rising level of pollution in air and water as economic development and per capita incomes begin to grow, followed by a lessening and eventual reversal of rates of pollution growth as economic progress raises public awareness and allows such problems to be addressed. Later applications of this approach to automotive lead emissions, deforestation, greenhouse gas emissions and toxic waste have revealed similar patterns, although not always as clearly defined as in the original case studies.

Grossman and Kreuger (1994) used data assembled by the Global Environmental Monitoring System to examine the relationship between various environmental indicators (concentrations of urban air pollution; measures of the state of the oxygen regime in river basins; concentrations of fecal contaminants in river basins; and concentrations of heavy metals in river basins) and the level of a country's per capita income. The authors found no evidence that environmental quality continues to deteriorate steadily with economic growth. Rather, for most indicators, economic growth brings an initial phase of deterioration followed by a subsequent phase of improvement – i.e. the Kuznets result. They also found that the turning points on the curves for the different pollutants vary, but in most cases came before a country reached a per capita income of \$8,000.

### 6.1.5 Taking Stock

Notwithstanding whatever satisfaction Professor Simon may have derived from his wager with Ehrlich et al., the methodological controversies generated by the *Limits to Growth* and related studies in the 1970s continue in various forms in the literature until the present. Defences of the approach have been produced since the original publication, by the Club of Rome and others (see Suter 1999; van Dieren 1995), and in 2004 some of the original authors issued a re-appraisal (Meadows et al. 2004). Nevertheless, it can be argued that, for most of the period since these studies were released, the adverse reactions of economists and others (including many involved in development assistance programs in poorer countries, who did not find the strictures on growth prospects called for in the studies helpful) have probably had more influence on economic policy and outcomes than the recommendations of the studies themselves.

It remains an open question at this point as to whether this will remain the case, given the advent of peak-oil pessimism, climate change issues and related concerns that suggest that limits to growth are growing more visible on the near horizon. That august journal of record of market economics, *The Economist*,

recognizes the need to act, but clearly does not believe that Malthus provides the guide as to how<sup>4</sup>:

A new form of Malthusian limit has more recently emerged through the need to constrain greenhouse-gas emissions in order to tackle global warming. But this too can be overcome by shifting to a low-carbon economy. As with agriculture, the main difficulty in making the necessary adjustment comes from poor policies, such as governments' reluctance to impose a carbon tax. There may be curbs on traditional forms of growth, but there is no limit to human ingenuity. That is why Malthus remains as wrong today as he was two centuries ago

Paul Krugman<sup>5</sup>, the Nobel laureate, liberal economist and columnist, and an original critic of *Limits to Growth*, argues that the methodology of the study – especially some of the rigid assumptions built into the original projection model provided to the *Limits* study by Professor Jay Forrester – was flawed: Forrester did not, according to Krugman, have a grasp of the empirical evidence on economic growth, and his projections suffered accordingly.

However, even though Krugman is unconvinced by *Limits to Growth*, this does not mean he is optimistic about the outlook for global resources and environmental sustainability: he notes that progress on energy technologies, and indeed humanity's ability to manipulate the physical world in general has been disappointing, with the implication that reliance on these in the future to solve our problems of growth and sustainability would be unwise.

Thus, the irony is that the general messages of depletion and decline that have been sounded from the ideas of Thomas Malthus in the early nineteenth century through to the Club of Rome and Paul Ehrlich (1968) in the 1970s, and widely scorned by economists and others since (for good reasons) are now seeming considerably more imminent, albeit for reasons, and in ways, that Malthus and his more recent adherents could never have imagined.

Gus Speth (2008) shares Krugman's reservations about modern capitalist nations' ability to deal effectively with resource depletion and environmental degradation and their consequences:

There are many good reasons for concern that future economic growth could easily continue its destructive ways. First, economic activity and its enormous forward momentum can be accurately characterized as "out of control" environmentally, and this is true in even the advanced industrial economies that have modern environmental programs in place. Basically the economic system does not work when it comes to protecting environmental resources, and the political system does not work when it comes to correcting the economic system

The above review will go some way towards explaining why there is considerable attention paid in this chapter to the views and approaches of economists, in comparison to other perspectives that are relevant.

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<sup>4</sup>*Economics focus*, May 17 © The Economist Newspaper Limited, London 2008. Used by permission.

<sup>5</sup>Krugman, Paul, *The Conscience of a Liberal*, New York Times, May 6, 2008.

## 6.2 Forests and the Broader Economy

### 6.2.1 Applying the Environmental Kuznets Curve to Forests

If the Kuznets result as described by Grossman and Kreuger for various environmental indicators were to apply to forests, for a middle-sized forestry developing country, then the outcome would look something like Fig. 6.2 below:

David Stern et al. (1996) critically examined the application of the environmental Kuznets curve in a number of studies, and showed that when some of the assumptions on feedback of environmental quality into production, and on trade impact neutrality are not met in practice, problems with estimating the parameters of the curve arise. Some of the estimates made in the literature that further development will reduce environmental degradation are dependent on the assumption that world per capita income is normally distributed, when in fact median income is far below mean income.

The authors found when aggregating the results of various studies through time, global forest loss stabilizes before 2025, but tropical deforestation – which has been the source of primary concern in relation to deforestation – continues at a constant rate throughout the period. This serves to emphasize the fact that the time frames over which the Kuznets effect operates are important.

Contreras-Hermosilla (2000) cites multi-country studies by Cropper and Griffiths (1994) and Panayotou (1995), and a study of Malaysia by Vincent et al. (1997), which all indicate the Kuznets inverse U relationship between per capita income and the rate of deforestation holding. However, he also cites another case study by Sunderlin and Pokam (1998) which indicates that in some cases where a country's per capita growth rate actually goes into reverse, this does not necessarily mean that the rate of deforestation will also reverse according to the Kuznets pattern. Contreras-Hermosilla cautions that:

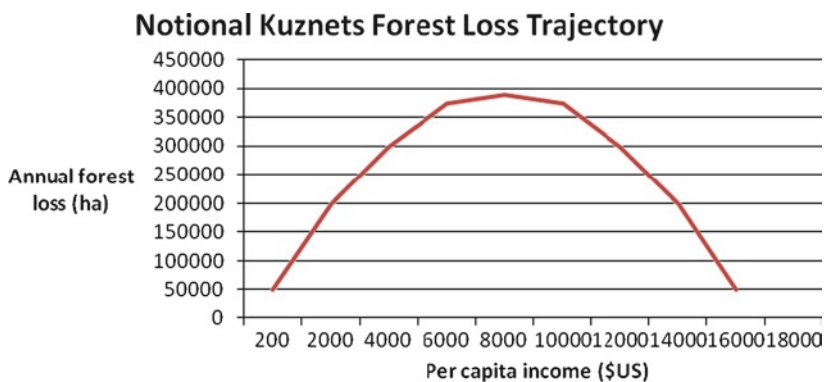


Fig. 6.2 Notional Kuznets Relationship between Forest Loss and Income



Explanations attributing an overwhelming driving force to one variable such as income growth are too simplistic .... The numbers and complexity of underlying causes of forest decline calls for caution. It is not possible to find unambiguous cause-effect linkages that would have a universal application. Rather, specific situations must be studied in detail and remedies must also be specific

A cross-sectional study by Culas and Dutta (2002) which examined the relationship between deforestation and factors such as per capita income, economic growth and agricultural growth showed the inverted-U pattern for Latin American and African countries, but a U-shaped relationship for Asian countries.

This suggests that forests are unlikely to disappear completely – so long as rising incomes globally can be maintained – but, obviously, poorer countries will lose more forest from this point before any Kuznets effect will be felt. While the Kuznets curve is useful conceptually, it is clear that it often operates over long time frames: where concerns for forest sustainability are serious and immediate, the reason is rapid deforestation, and if the country concerned still has relatively low median income, then waiting for the Kuznets income effect to reduce that deforestation would certainly not be an effective strategy. This is especially the case given that most of the empirical studies of the environmental Kuznets curve cited above – whether for deforestation, or more generally for environmental improvements – show that the point of inflexion in the Kuznets curve does not occur until relatively high per capita incomes are reached. Contreras-Hermosilla's injunction to apply case-specific analyses when studying causes and remedies for deforestation therefore seems apposite.

The environmental Kuznets curve serves a useful purpose conceptually, demonstrating that in aggregate terms, and over long time frames, policies which impact upon per capita income growth at national scale can be expected to exercise differential effects on forests (eventually) as growth proceeds, but of itself has limited application to positive policy development to address forest sustainability in particular cases. It does serve, however, to point up the need for a stronger linkage between large economic variables and policies, and decision-making on what is to be done in forests.

### ***6.2.2 Forests in the Broader Economy***

A general critique which underlies the case for a re-appraisal of forest intervention by the international forests constituency is that much of what it has done in forests in the past has been determined by an insider perspective – essentially a process of sectoral specialists identifying what they see as problems specific to forests and those involved in their use, with little or no reference to the wider economic framework in which the sector is located and which may be the predominant source of much of the dynamic which is driving change in the forests – for better or worse. It would not be fair, we suggest, to attach blame for this to those who have been most involved. The reality, until very recently, has been that it has simply not been

possible to engage a broader economic and social interest in this subject, in many of the developing countries where large natural forests remain, especially in cases where there are strong vested interests in the highest political levels, which make corrective action difficult, particularly if there are no democratic checks and balances in effect.

To date, there has been plenty of useful microeconomic analysis of forest management and use for the many goods and services forests can provide, and considerable work done on the domestic and international trade aspects of forests products. There has been relatively little examination of the impacts of broad economic policy – including macroeconomic policy – on forest outcomes. As we will see in Chapter 7, there has been considerable debate in forests literature as to whether or not these impacts are likely to be significant: the broad conclusion we have drawn from this is that they certainly can be, but the manner and even the direction in which this manifests from one location to another is highly variable. There has been little specific field work done on how the broad instruments of macroeconomic and inter-sectoral growth policy could be developed or refined so as to address issues of perverse incentives and unsustainable outcomes in forest locations, even in cases (in fact, the majority of nations) where governments proclaim adherence to general principles on sustainable management and equitable development of forest resources – often to the extent where these are enshrined in national constitutions and basic law.

This situation can be seen as emblematic of the intellectual divide between scientists, environmentalists and ecologists and others who study aspects of the physical world on the one hand, and economists (sometimes joined by sociologists and others) who are focused on human progress. Scientists are used to natural systems which can change and evolve in different directions. Tides move in and out, new species are created, while others go extinct – there is no primary direction in all of this. In the case of economists there is a primary direction behind all matters they consider, and it is the direction of economic growth. Unless things are moving in that direction, the economist will see developing instability, leading eventually to social chaos and political breakdown. Where a scientist will see the logical response to a human activity which is causing some adverse natural resource development as being simply to halt or reform that activity, an economist – if indeed he or she perceives the seriousness of the problem at all – will see the primary necessity as being the need to transform the growth dynamic implicit in that activity to a more sustainable one, even if that is less immediate and effective in arresting the adverse trend itself.

A consequence of this disjunct between economic and scientific thinking has been that it has been relatively difficult to interest economists in the immediacy of the linkage between economic growth and environmental degradation, and therefore of the need to utilize the full armoury of macroeconomic policy reform to address environmental degradation. In the following chapter in this book, we will show how the climate change issue has the potential to change all this.

By the same token, scientists have often failed to see the relevance of reforms and adjustments in rather arcane economic variables and incentives – often far removed from the immediate site of the environmental problems of most concern – that can be of very real consequence. In perhaps over-simplified terms, economists frequently

have relatively little understanding of the real nature of the linkage between economic development and environmental degradation, while scientists have equally little understanding of how remedies from the economists' toolkit might effectively address the observed problem.

We will return to this subject in Chapter 7 of this book, where we will review the options for financing sustainability in forests that potentially will be opened up by climate change.

### 6.2.3 *Financing Sustainability in Forests Has Been Inadequate*

Had the developed countries been as concerned as their utterances on the subject of global deforestation have suggested, then the disjunct noted above might not have mattered: to put it somewhat crudely, flows of finance could have bridged the gap, by adding value to the conservation/sustainability approach. However, while flows of overseas development assistance (ODA) into forests related activities have increased markedly (see Table 6.1 above) it has virtually never risen above \$2 billion per annum in total. As will be discussed further in the following chapter, given the size and lucrativeness of the forest resource, and the lands they occupy in many rainforest nations, this level of funding has not been adequate to provide a significant disincentive to deforestation.

To place the amounts in this table in some context; total global ODA for all purposes in 2004 (in 2004 \$US) was \$80 billion. By 2007 this had risen to \$91 billion, but this was far short of the amount donor nations had committed to by that year at the Millenium Summit (\$115 billion), and it seems likely that the target of \$130 billion for 2020 will also not be met, by a wide margin. On this basis, ODA to forests has not yet risen above 2% of all ODA funding. The proportion of total lending by multilateral banks going to forests purposes has fluctuated a good deal, but around the same figure of about 2% of the total.

**Table 6.1** External financial flows to forests (Simula 2008)

Source	2000–2002 USD mill. at 2006 exchange rates and prices	2005–2007	Change %
ODA <sup>a</sup>			
– Bilateral	929.1	1,078.7	+16.1
– Multilateral	335.0	806.7	+140.8
Total	1,264.1	1,885.3	+49.1
Private sector			
– Foreign direct investment	400.0	516.0 <sup>c</sup>	+29.0
– Other private financing	–	–	Increase
NGO, philanthropic and others	–	–	

<sup>a</sup>Appendix 4.X

<sup>b</sup>UNCTAD 2007

<sup>c</sup>2003–2005

More recently the developed countries have put forward a raft of new funds and mechanisms which are either focussed on, or which include, substantial programmes for forestry:

- The World Bank's Forest Carbon Partnership Facility, supported by several international donor groups, with a proposed budget of \$300 million of which \$170 million has been pledged.
- The World Bank's Strategic Climate Fund, which intends to finance adaptation to climate change but has a specific interest also in reducing deforestation, has funding commitments from the G8 group of nations of \$ 6 billion and will include a Forest Investment Programme.
- The Norway Forest Fund, which has committed \$2.8 billion over 5 years from 2008.
- The Congo Basin Fund, supported by Norway and the United Kingdom, with funding of \$195 million.
- The Japanese Government's Cool Earth Partnership designed to support adaptation to climate change and access to clean energy, with some forest interest, to run for 5 years, allocating \$2 billion per year from a \$10 billion fund.
- The Australian Deforestation Fund, aimed at reducing deforestation in the Southeast Asia region, with funds of \$A200 million.
- The German commitment of 500 € million a year for biodiversity.
- The suggestion by the European Commission for the creation of a Global Forest Carbon Mechanism (GFCM) (although some suggest this may be compensation for avoided deforestation most probably being excluded from the European Emissions Trading Scheme until at least 2020).
- Brazil's Fund for the protection of the Amazon rainforest has received a commitment for an initial \$130 million from Norway (drawn from the Norwegian Forest Fund) and Guyana has offered to place its forest under international stewardship in return for compensation for development opportunities foregone.

### **6.3 Multilateral Agreements on Global Environmental Sustainability**

While the developed countries have been less than generous in funding efforts to promote sustainability and conservation in rainforest countries, they have been more forthcoming in their willingness to participate in forums, discussion, treaties and the like which touch upon the environmental sustainability issue.

The economic debates on the limits to growth – essentially the question of whether economic growth is the main problem, or the main solution, for natural resource sustainability, as discussed earlier in this chapter – continued through the 1970s, 1980s, and 1990s, and have if anything intensified as the realities of the climate change issue have begun to dawn, the issue of global environmental sustainability has loomed increasingly large on the international stage. In the

public mind in developed countries, environmental sustainability has increasingly become the watchword by which real progress in human development and economic growth are evaluated. There have been innumerable conferences, colloquiums and workshops on this subject; large numbers of research and academic programs have been founded upon it, as public interest in the general subject has intensified.

The changing nature of international and intergovernmental discussion and negotiation on this subject can be traced through review of the five major global gatherings on environment of recent decades.

### ***6.3.1 The Stockholm Agreement***

In 1972, 113 nations convened at the United Nations Conference on the Human Environment, in Stockholm. This was the first genuinely global gathering on the environment. It considered:

- Human impacts on the environment
- Social and economic development and population growth
- Related issues for developing countries, and for international assistance in these areas
- The role of government in developing and managing environmentally friendly development
- The potential contributions of technical development and education to addressing environmental issues

Given the early date of this conference, the coverage of issues was quite broad, and the linkage between environmental degradation, persistence of poverty, and government policy and practices was recognized. While few specific demands were made on participating nations to implement monitorable, quantitative changes in relation to environmental management, this conference did at least serve to establish a broad mood of concern about global environmental issues. A number of international, national and non-governmental organizations focused on the environment were formed as a result of it – notably, a new United Nations agency for the environment; the United Nations Environment Programme.

### ***6.3.2 The Brundtland Report***

The World Commission on Environment and Development – usually referred to as the Brundtland Report, after its chair, Gro Harlem Brundtland – was established by the United Nations in 1983, and submitted its report to the general Assembly of the UN in 1987.

The Brundtland report reflected the views of a majority of its contributors, and concluded that the most critical global environmental problems were primarily the result of the enormous poverty of the developing South, and unsustainable consumption of natural resources by the rich Northern nations. The report is generally credited with bringing the term “sustainable development” into common usage, in its call for a global strategy that would link development and environmental protection. It provided a simple and now widely used definition of the concept:

Sustainable development is development that meets the needs of the present, without compromising the ability of future generations to meet their own needs.

This inter-generational consideration in development has become an important element in subsequent deliberations on environmental sustainability. Almost every definition of sustainable forest management reproduces this inter-generational stricture, regardless of how differently the definitions play out beyond that point. At the discussion of the report at the general Assembly, it was resolved that the matters raised by the Brundtland Report should become the subject of a large and comprehensive international and intergovernmental conference and development.

### **6.3.3 *The Rio Earth Summit***

More formally known as the UN Conference on Environment and Development, this international meeting took place in June 1992, In Rio de Janeiro. It was (and remains) by far the largest and most ambitious international gathering on the global environment ever undertaken. Over 30,000 delegates attended, representing various interests from 172 countries; more than 2,000 non-governmental organizations took part; and about 100 heads of state participated directly in the meetings. The broad theme of the conference was that a significant change in the attitudes and activities of people in their relationship with the natural environment was now necessary. The linkage between poverty and environmental degradation made in the Brundtland report was reprised and developed, as were the damaging environmental consequences of affluence and excessive consumption.

The Rio Earth Summit produced international agreements, understandings or declarations on:

- Protecting the biodiversity of the planet
- Addressing climate change
- Managing the world's forests
- The status of the environment and economic development
- An action agenda for governments to implement to address a broad group of environmental and sustainability concerns (known as Agenda 21)

Copious documentation of the proceedings and agreements was produced, focusing on the requirements of Agenda 21 (a broad ranging set of global objectives, covering the gamut from economic and social improvements, through conservation and

management of resources, to effective participation by major groups in civil society), the Rio Declaration on Environment and Development, The Statement on Forest Principles, the UN Framework Convention on Climate Change, and the UN Convention on Biological Diversity. Follow-up mechanisms established within the United Nations organization included the Commission on Sustainable development, the Inter-agency Committee on Sustainable Development, and the High Level Advisory Board on Sustainable Development.

Whatever else may be said of the Rio process in retrospect, it cannot be denied that in its wake, the broad issue of environmental sustainability was well and truly established at the top of the international conference agenda for quite some time.

#### ***6.3.4 The Kyoto Protocol***

The Kyoto Protocol to the United Nations Framework on Climate Change is, in effect, an international agreement on measures to address climate change which amends and clarifies the provisions and agreements on this issue produced at the Rio summit. The objective of the Protocol is the stabilization of carbon dioxide and other greenhouse gases in the atmosphere at a level that will prevent continued dangerous human interference with the global climate system.

Negotiations of the Protocol began at the first international conference on the subject, held in Kyoto in 1997. Initial negotiating conditions were that at least 55 countries must sign the convention, and that in total the countries then involved must account for at least 55% of global carbon dioxide emissions, as estimated in 1990. Iceland's ratification of the convention in 2002 brought the number of participating countries involved to 55, and Russia's ratification in 2004 brought the total emissions represented by the signatories to more than 55%. The treaty came into force formally in February, 2005.

Events since then, on the forests side of things, have moved uncharacteristically quickly, with the UNFCCC COP 13 meeting in Bali, where important initial commitments to reducing deforestation and degradation were made, and the ambitious agenda which has been set for initiation of the REDD process at the COP 15 meeting in Copenhagen in late 2009. We will return to these subjects in Chapter 7.

#### ***6.3.5 The World Summit on Sustainable Development***

Convened in 2002, 10 years after the Rio Summit (and often referred to as Rio +10) this gathering was organized to review progress towards sustainability since Rio, with a focus on implementation of existing agreements and undertakings. In the official language of the organizers, the intention of the 2002 summit was to review the successes and failures of countries in meeting their commitments made at Rio in a frank manner, to reinvigorate the global commitment to sustainable development,

and to deepen the global commitment to sustainable development through a new “global compact”, and bring a new spirit into the environmental debate.

There was a general consensus among UN member states that the Agenda 21 principles agreed on at Rio in 1992 should not be renegotiated. It was also agreed amongst most participants that the primary focus of the Summit should be on “poverty, development and the environment”. Thus, poverty and underdevelopment remained on the agenda as the fundamental threats to environmental security and sustainable development.

In general terms, the conference was intended to be lower profile: it would be a little lighter on production of sweeping international treaties and agreements than was usual, instead emphasizing arrangements for better cooperation on existing goals (under Agenda 21 and other agreements reached at Rio), identification of new challenges and opportunities that had emerged since Rio, and further consideration of the issue of balance between social and economic development and environmental protection. Some refinement or quantification of details for these goals was to be undertaken, so that more definitive monitoring of progress could be done.

In the event, the Plan of Implementation from this summit ran to several chapters, each containing dozens of recommendations. In some cases, these revisit old ground, such as reiteration of existing commitments made under the World Trade Organization ministerial meetings, and “re-committing” developed nations to dedicating at least 0.7% of their national income to development assistance – a goal that was originally set in 1970, and which has been attained by very few countries since then. Specific new targets were agreed upon – for example, to reduce the numbers of people without access to clean drinking water by 50% by year 2015, and to cut the rate biodiversity loss “significantly” by 2010. More than 300 voluntary partnerships for various aspects of sustainable development and conservation were established at the conference.

## **6.4 A Brief Look at Multilateral Involvement in Forests**

The broad multilateral dialogue on environmental sustainability has generated a large number of consequential initiatives and actions in global forests, particularly from the time of the Brundtland Report onwards: implementation of the Tropical Forestry Action Plan; formation of the International Tropical Timber Organization; The World Commission on Forests for Sustainable Development; a series of inter-governmental dialogues on forests and sustainability running through to the present incarnation, the United Nations Forum on Forests; the outflow on forests from the Rio Earth Summit; and many more. Much has been written and said about these, and we can do no more here than briefly overview some of the seminal developments, and in some cases draw our own conclusions as to their implications.

Not surprisingly, these large international activities on forests have been the focal point for much of the debate and conflict which has gone on in the international forests constituency. Policy responses and programme adaptations in response,



within the various multilateral and bilateral agencies involved in forests, and in NGOs and other entities involved, have been vigorous and in some cases traumatic, as we will see.

### **6.4.1 *Sustainable Forest Management***

A term which will recur throughout the following discussion of international forest initiatives, is **sustainable forest management** (SFM). Definitions of what this means vary widely, at some times due to specific field circumstances, at others as a result of the particular purpose it user believes a given forest should be put.

Older graduates of forestry faculties will recall the time when sustainable forest management simply meant the maintenance of the flow of a specific set of goods and services – usually heavily focused on commercial species logs – into perpetuity. As the involvement of the international environmental movement in forests developed through the 1970s and 1980s, leading up to the Rio Earth Summit, this basic materialist line was challenged, often to the point where some groups suggested that the only acceptable definition of sustainable forest management is one which calls for retention of all the assets and qualities of a given ecosystem. In practical terms, this would amount to something close to complete forest protection – a use which of course will be entirely appropriate for some areas of particularly valuable biodiversity and other environmental services, but which would preclude most uses that humans make of most forests they have access to.

Not surprisingly, at the Rio Earth summit, and in its aftermath, the subject of sustainable forest management was widely discussed, and heated arguments arose as to what it meant, or should mean. It became generally accepted that a definition which embodied the intent of the basic definition of sustainable development in the Brundtland Report (cited earlier in this chapter) was required:

Sustainable development is development that meets the needs of the present, without compromising the ability of future generations to meet their own needs.

A definition of the present day understanding of sustainable forest management was developed by the Ministerial Conference on the Protection of Forests in Europe, and has since been adopted by the United Nation Food and Agriculture Organization. It reads as follows:

The stewardship and use of forests and forest lands in a way, and at a rate, that maintains their biodiversity, productivity, regeneration capacity, vitality and their potential to fulfill, now and in the future, relevant ecological, economic and social functions, at local, national, and global levels, and that does not cause damage to other ecosystems.

The United Nations Forum on Forests (UNFF) has recognized the difficulty in gaining agreement on a universal definition for sustainable forest management, and has instead identified seven elements which form part of it: (a) extent of forest resources, (b) forest biological diversity, (c) forest health and vitality, (d) productive functions of forest

resources, (e) protective functions of forest resources, (f) socio-economic functions of forests, and (g) the legal, policy and institutional framework.

We will not attempt a specific definition of our own in this book. Firstly, because sustainable forest management is a moving target; at any given situation and time it reflects society's values assigned to forest functions. These values change over time and therefore, the definition of forest sustainability also changes. Secondly, the debate has been somewhat subsumed by the advent of forest certification systems that were discussed in Chapter 4 of this book. Certification standards provide a detailed set of criteria and indicators for sustainability which express in operational terms what sustainability means in a specific forest, environmental, economic and social setting at hand: this seems to be the most rational and practical approach.

For our purposes, developing an acceptable and sustainable use for a given forest resource is taken to depend upon the existence of a reasonable consensus amongst all stakeholders that the forest is being used in an appropriate way, and that this requires that the forest will be stabilized, in terms of its biological condition, for an extended period of time. This, in turn, would require that a considered assessment of what forests will be retained into the long term has been made by governments and other stakeholders; and that the uses to which this forest resource will be put will be shared appropriately and then managed carefully, to produce the agreed balance of economic, environmental, social and cultural values.

### ***6.4.2 The Tropical Forestry Action Plan***

In the early 1980s, it was becoming increasingly evident to many in the international forests constituency that deforestation, especially in the tropical rainforests, was accelerating. In 1982, an experts meeting was convened by the United Nations Environment Programme (UNEP), the United Nations Educational, Scientific and Cultural organization (UNESCO) and the Food and Agriculture Organization of the UN (FAO). This group recognized that a major international effort would be needed to effectively address this issue, and recommended a multilateral response be implemented as soon as possible.

At around the same time, a major international environmental NGO, the World Resources Institute (WRI) had convened an international task force to devise and implement a programme aimed at reversing rainforest destruction. The United Nations Development Programme (UNDP) and the World Bank became involved in this process. By 1987, the two initiatives had merged, and the resulting Tropical Forestry Action Plan was launched. A more detailed discussion of the history and development of the TFAP and indeed most of the other multilateral initiatives outlined in this section can be found in Humphreys (2006). The TFAP had a brief to support programmes in:

- Forestry in land use
- Forest based industrial development

- Fuelwood and energy
- Conservation of tropical forest ecosystems
- An action programme on forest institutions

A TFAP Forest Advisors Group was established, with sector experts from the large multilateral banks, UN agencies, participating governments overseas development assistance departments, to provide input into the design and management of the programme, and it was this group which persuaded the managing agencies to translate the objectives of the TFAP into a series of National Forestry Action Programmes (NFAPs), to be triggered by requests from the relevant forested countries.

By this time, the TFAP had three major sponsoring groups – FAO, the World Bank, and the United Nations Development Programme. A large number of developed countries and the multilateral development banks were on the list of financial supporters, and a group of influential NGOs were involved with the official agencies in governance arrangements for the programme.

Before the end of the 1980s, trouble was already brewing for the Tropical Forestry Action *Programme*<sup>6</sup>. In the early 1990s, a number of reviews were initiated, Lohman and Colchester (1990) most of which converged on the finding that whatever the TFAP had achieved, it had not produced any slowing in deforestation, which was its basic objective. Nor had it managed to reconcile national interests with the concerns of the international forestry constituency about what was happening in the tropical forests. The NGO groups also complained that local interests had been neglected in the forest countries when formulating and implementing the NFAP programmes. WRM, in its review, ventured the opinion that the TFAP had actually made things worse in forest countries, by facilitating donor funding of projects which were unsustainable in the forests.

Sizer (1994) has pointed out that another recommendation made in the review process was to create an independent consultative mechanism for the program with broad participation and sponsorship. However, FAO refused to expand the governance of the program, against the recommendations of other major participants. Instead, a consultative group was created within FAO, similar in name only to the original proposal. This move further reduced the credibility of FAO as an effective TFAP coordinator and alienated the other three original co-sponsors.

Tensions continued to escalate as the Chairman of the US Senate Committee of Foreign Relations sent a message to the President of the World Bank, urging the Bank to suspend financing of TFAP forest projects, pending further review. By this time, the Bank was in a mood to comply with this request, having had some major disagreements itself with FAO as to the management of some specific programmes within the TFAP. A G7 meeting in 1990 recommended that the TFAP needed strengthening and major reform, and in particular needed to give much stronger emphasis to biodiversity and forest conservation in its work. Some recipient countries

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<sup>6</sup>At some point, the name was altered from *Plan* to *Programme*.

involved in the TFAP – Brazil, Indonesia and Malaysia – raised sovereignty issues in relation to the manner in which the programme was being designed and implemented. Shortly thereafter, the World Wildlife Fund withdrew its support for and participation in the TFAP, and WRI itself – one of the original advocates of the programme – did likewise. To all intents and purposes, the World Bank was also no longer a participant in the TFAP.

The Forests Advisors Group<sup>7</sup> also withdrew its support, making direct recommendation to the FAO Council that it should not proceed with the TFAP, claiming that the programme had achieved “too little, too late” and should no longer be allowed to distract from efforts being made to start more fruitful undertakings in the sector. The Group threw its support behind the establishment of a consultative process known as the World Commission on Forests and Sustainability.

Sizer (1994 op cit) has noted that the TFAP concept was flawed from the beginning:

TFAP's problems can be traced partly to the program's inception and launch: implemented as a sectoral planning exercise, it did not take adequate account of deforestation's root causes. The divergent perspectives of governments posed other obstacles. In general, the South emphasized national sovereignty and development while the North pushed for global environmental management. Donors also invested too little in the national exercises. In addition, TFAP was heralded as the “magic bullet” which would halt tropical deforestation, a target which it could clearly never achieve.

In the manner of these things, the TFAP was never officially declared dead, and indeed some aspects of it live on in the FAO's National Forests Programme. These have been accepted as one of the policy tools to promoting sustainable forest management and a large number of country-driven processes are under way to plan and implement such programmes. Donor funding is provided to support these processes in developing countries.

The TFAP experience foreshadowed some political developments in the international forests constituency: the burgeoning role in multilateral programmes of environmental NGOs; the emergence of the sovereignty issue in the multilateral programme in forests; and the building conflict between a production oriented approach to forests that was embodied in the approach of some of the official international agencies involved, and the more political and polemical focus on large, charismatic issues to do with forest conservation, biodiversity protection and local community participation that were emerging elsewhere in the international forests constituency. Since 2002 the focus on poverty reduction has gradually brought attention back to the productive role of forests within the broad framework of sustainable forest management duly recognising the other values of forests.

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<sup>7</sup>An informal group of principal forest sector advisors from agencies such as the World Bank and other multilateral development banks, the European Community, and some large bilateral development assistance agencies.

### ***6.4.3 The International Tropical Timber Organization***

The ITTO was established at around the same time as the TFAP, but managed to keep a much lower political profile – and to an extent continues to do so. The organization's origins can be traced back to a meeting of the United Nations Conference on Trade and Development in 1976, which produced the first International Tropical Timber Agreement. The basis of the idea at the time was that on the one hand, considerable deforestation was occurring in many tropical forest countries, while on the other hand, trade in tropical timber was an important element in economic development in many of these same countries. As it is put in the history of ITTO on the ITTO official website, the reconciliation of these two observations is the ITTO's *raison d'être* but it is a complex challenge for a commodity organization, because traditionally these have not addressed environmental conservation, as called for under the International Tropical Timber Agreement.

Thus, despite its trade focused origins, ITTO is not a conventional commodity agreement. The negotiators of the first agreement under which the ITTO was established under UN auspices recognized, early in the piece, that the forest conservation issue was going to be at least as important as trade, and so this is reflected in the objectives of the agreement. Essentially, the projects and programmes the ITTO finances from funds it receives from its donor national members are aimed at the promotion of a trade in tropical timber and timber products from legal and sustainably managed sources.

Most published criticism of the ITTO seems to have been written in the 1990s, with relatively little follow-up to the present time: Gale (1998) argues that the ITTO has bolstered a blocking alliance between the timber industry and producing- and consuming-country governments, which favours developmentalist interests and ideas. He asserts that ITTO has permitted environmentalists to voice their concerns but not to negotiate them.

As will be evident from discussion of the nature of ITTO in Chapter 4, it is unrealistic to expect the ITTO to successfully address deforestation, which is primarily driven by factors outside forests. Timber harvesting is much less of a factor in deforestation than clearing of forests for other purposes. Moreover, in the tropics, only around 5% of that volume of timber is exported. However, it would certainly be the case for Indonesia – especially during the high deforestation period in the 1990s – that the value of trees removed from the forests, and the value added to them in processing prior to export, was in fact a major element of the economy of that period.

### ***6.4.4 The Intergovernmental Dialogue on Forests***

In 1992, the Rio Earth Summit adopted the Non-legally Binding Authoritative Statement of Principles for a Global Consensus on the Management, Conservation and Sustainable Management of all Types of Forests, known as the Forest Principles,

and included a chapter (Chapter 11) on combating deforestation into the Agenda 21 document, a global plan of action on the environment and economic development adopted by 178 governments at the Rio conference. The Forest Principles offered a useful framework but this achievement fell short of original expectations to reach a legally binding agreement at the Summit.

In response to this major set of international resolutions, the United Nations in 1995 established the Intergovernmental Panel on Forests (IPF) which had the intention of implementing the Forest Principles and Chapter 11 from Agenda 21. This was followed by the Intergovernmental Forum on Forests. From 1995 to 2000, a number of intergovernmental meetings, technical sessions and other activities were convened, around subjects such as international cooperation and assistance for technology transfer, development of criteria and indicators for sustainable management, deforestation, trade and others. The result was a menu of 270 proposals for action for the promotion of sustainable management and conservation of forests.

The full implementation of Agenda 21, the Programme for Further Implementation of Agenda 21 and the Commitments to the Forest Principles, were strongly reaffirmed at the World Summit on Sustainable Development (WSSD) held in Johannesburg, South Africa from 26 August to 4 September 2002.

In 2000, the IFF was wound up, and the United Nations Economic and Social Council replaced it with the United Nations Forum on Forests, which had as its major objective the promotion of the management, conservation and sustainable development of all types of forests and to strengthen long-term political commitments to this end. The principal function of the UNFF was to provide a policy forum for issues related to forests, to facilitate implementation of forest-related agreements and foster a common understanding on sustainable forest management; to enhance international cooperation and to monitor the progress towards agreed objectives and targets. UNFF was also assigned to strengthen political commitment to the management, conservation and sustainable development of all types of forests.

At its sixth session, in 2006, the UNFF announced agreement on four global objectives on forests, to:

- Reverse the loss of forest cover worldwide through sustainable forest management (SFM), including protection, restoration, afforestation and reforestation, and increase efforts to prevent forest degradation
- Enhance forest-based economic, social and environmental benefits, including by improving the livelihoods of forest-dependent people
- Increase significantly the area of sustainably managed forests, including protected forests, and increase the proportion of forest products derived from sustainably managed forests
- Reverse the decline in official development assistance for sustainable forest management and mobilize significantly-increased new and additional financial resources from all sources for the implementation of sustainable forest management

As noted in Chapter 4, on December 17, 2007, the UN General Assembly adopted the Non-Legally Binding Instrument on All Types of Forests negotiated by the UNFF earlier that year.

The bland, official descriptions of the proceedings and results of the intergovernmental forest dialogue create an impression that much has been considered – which is undoubtedly true – and that much has been achieved – which is not. Throughout the entire duration of these processes, a great deal of frustration and disappointment has been built up: although representation for various stakeholder group representatives was provided many groups have felt excluded and ignored. More recently, UNFF has taken action to improve multi-stakeholder dialogues, and some stakeholders have become better organized to express their views as interest groups.

It was clear from fairly early on that certain participants in the process (for example, the Government of Canada, and some member states of the European Union) had very specific agendas, such as the creation of a global forest convention, along the lines of the Convention on Biodiversity which was signed into by 150 countries at the Rio Earth Summit in 1992. It was also clear that some other participants (e.g. the United States, Brazil) seemed at times to attend the sessions mainly to ensure that such a convention did not emerge. Like-minded states are still exploring common ground for the establishment of a legally binding instrument for forests, as the current non-binding agreement is feared to be too weak to lead to desired change in behaviour among forest stakeholders.

The essential nature of the intergovernmental dialogue was, obviously, dialogue rather than negotiation of difficult international agreements, or implementation of significant field activities. Much of the language in the terms of reference for the process, and its outcomes, is written in the same aspirational terms of future intent that were applied years earlier (in the expressions of resolutions from the Rio Earth Summit itself, for example), indicating that little progress has been made in the intervening period.

In a paper (Reischl 2007) which examines the role of the European Union in the intergovernmental forest negotiations – specifically the failure to produce a forests convention – the author argues that although this might be interpreted as a failure of international environmental governance, the negotiation process itself helped to generate important norms such as sustainable forest management. We must admit we retain some doubts as to what the intergovernmental dialogue under the UNFF has added to the intense and longstanding debate on forests sustainability.

Dimitrov (2005) applies a political science perspective to an assessment of the intergovernmental dialogue on forests, and is much less impressed with the efficacy of the process. He notes that substantive international negotiations on vital issues such as deforestation have repeatedly failed to produce agreement, but that, instead of simply winding up such encounters, at some point governments seemed to decide instead to create the UNFF, which he refers to as “a hollow entity deliberately deprived of decision-making powers”. In view of Dimitrov’s somewhat mordant view of the intent of the UNFF, his conclusion appears to be that an agency such as the UNFF, given the intentions of some major government participants in the process, cannot be accused of having failed to deliver policy, but rather should be seen as having succeeded in preventing the delivery of policy.

The UNFF is by no means unique in this outcome. No international body can be stronger than its member states. The weakness of the UNFF process results from



the desire of some of its member governments to keep it weak, due to their lack of willingness to submit to external regulation in the use of a key natural resource. Both sovereignty and economic interests are at play here: The dual role of forests to provide global public goods and private benefits is difficult to reconcile in an international regime.

#### ***6.4.5 The Forest Law Enforcement and Governance Initiatives***

A more recent initiative is the FLEG partnership, which links forest developing countries, multilateral development banks, bilateral donor agencies, NGOs, industry partners and other interest groups into a series of regional Ministerial level consultations and follow-up activities on the ground. These are aimed at building political commitment as well as in-country capacity to address illegal logging. Unfortunately, regional processes have achieved only limited practical improvement in country-level forest governance systems, which illustrates yet another example of the difficulty of converting political declarations into practical action.

In 2003 the European Union established an initiative to address the trade aspects of illegal logging, the Action Plan for Forest Law Enforcement, Governance and Trade (FLEGT). The plan combines measures to be taken in both consumer and producer countries, aimed at eliminating illegal timber from trade with the EU. The FLEGT actions have focused on the establishment of bilateral voluntary partnership agreements between the EU and individual trading partners with the purpose of ensuring that wood and wood-based products that are imported from these countries are legal.

In 2008 the US Government modified its Lacey Act which now criminalizes importation of products which have been produced in violation of the US or foreign laws. The EU is preparing similar measures to prevent illegal timber to enter the Community market be it from the member states or imported from abroad (see Chapter 4).

### **6.5 Forest Policy in the World Bank: Ideas vs Ideologies**

The following discussion of forest policy development in the World Bank is not intended to focus attention unduly on that organization, which is just one of many which has had a role in the international forests constituency, but to use the history of forest policy development and implementation in that organization as a case study of how debate on an issue such as this can become dysfunctional.

The Bank, like its regional development bank counterparts – The Asian Development Bank, The African Development Bank, The Inter-American Development Bank, The European Bank for Reconstruction and Development – and many of the multilateral agencies of the United Nations – is a creature of intergovernmental processes, and it is not surprising that in a given sectoral area, such as forestry, what happens inside the



Bank reflects the developments in the international processes going on more broadly. Many of the issues and problems the Bank confronts in its engagement in forests in its client countries are also shared, to a greater or lesser extent, with many of the bilateral donor agencies operating in the sector. Parallels with some of the trends, developments controversies and dysfunctionalities noted above will therefore be seen in some form within the Bank and its equivalent agencies. Ideological and political developments which first influence the Bank will often come to rest in other similar agencies, and lessons which the Bank has learned (or not learned, as the case may be) from such developments can usually be applied more broadly across the international forests constituency.

### ***6.5.1 The “Chilling Effect” of Bank Forests Sector Policy***

Like most development assistance agencies, with their multiple sectoral interests and agendas, the Bank is a large and unwieldy organization, characterized by both a steely determination on the part of senior managers to avoid political or reputational risk in lending and policy operations, and by the existence of deep factionalism within the institution as to models of development, and on which sectors or approaches are likely to produce the best outcomes.

This is hardly surprising for an organization which is at once a powerful presence in international development, but is also highly vulnerable to criticism (valid and otherwise) on a wide front of issues, because of its fragmented system of governance<sup>8</sup> in which the political imperatives of member countries can be manipulated by advocacy groups spread throughout the world. Many of the Washington-based social and environmental advocacy groups – and similar groups in other developed world capitals – most involved in this process have often seemed to many observers to exist mainly for this purpose.

In this situation, the matter of what the Bank should do about forests has historically been fraught and difficult: controversies about the treatment of indigenous groups, how local communities should be involved in the development process, what protection biodiversity and other environmental goods should be afforded (and by whom) all play out in the forest environment. In other words, any involvement in this sector can very rapidly become a hotbed of those political and reputational risks so unloved by managers.

Actual investments by the Bank in the forest sector since the 1980s have comprised somewhere between just 1% and 3% of total Bank lending (depending on how the calculation is done, and in what year), so for most operational managers

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<sup>8</sup>The day-to-day business of the Bank is administered through a hierarchy of appointed managers, from the President of the Bank down. However, matters of Bank policy, and also final approval of Bank lending and other operations, is determined by the Board of Executive Directors. Executive Directors are appointed, usually by the finance ministries of member governments (some Directors represent multiple countries, others large single member countries).

the need to invest in forests is hardly likely to become an institutional survival issue: On the other hand, as sensitivity to environmental and social issues in forests has grown, Bank involvement in any forest situation which turns bad – or at least is successfully portrayed as being so by groups who disapprove of what has been done – can pose disproportionate dangers and certainly very time-consuming problems to managers. Not surprisingly, therefore, there has historically been a tendency for many middle and senior managers in the Bank to tacitly avoid large commitments to the sector. Some have on occasions even sought to make a virtue of this by suggesting that their reticence to invest in forests is driven by a concern that natural forests should be left alone, and not interfered with: an environmental revelation hitherto unsuspected in the individuals involved, and certainly not one that has led to any evident reduction in pressure on these forests in the real world.

This situation was largely precipitated by the release of the first comprehensive forest policy document produced by the Bank, shortly before the Rio Earth Summit (World Bank, 1991). The imminence of the Earth Summit, and the damage done to the Bank's reputation by some high-profile environmental problems in Bank projects implemented in the 1980s, guaranteed that every move Bank staff made in preparation of this policy was watched carefully by forest protection advocacy groups, and a number of aggressive and highly public confrontations took place during the preparation period<sup>9</sup>.

The most highly charged words in the policy document which was produced in this tense climate occur on page 64:

Specifically, the Bank Group will not under any circumstances finance commercial logging in primary tropical moist forests.

This wording, and much of what surrounds it in the third and final chapter, *The Role of the World Bank*, of the document, bears little relationship to what was presented in the preceding Chapter 1, *Challenges for the Forest Sector* and Chapter 2, *Strategies for Forest Development*. This is hardly surprising: much of what appears in the first two chapters was prepared by the original staff team working on the document, and the final chapter was written by others, brought in by senior management to bring the document more into line with what a number of the advocacy groups who had placed great political pressure on Bank management, through the Board of Executive Directors, and in public campaigns, wanted.

Readers may wonder why these few words became such a traumatic issue within the Bank, especially when it is observed that at the time, there were no Bank projects under consideration that *would* have involved direct Bank lending

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<sup>9</sup>Readers can find an historical outline of the 1991 forest policy process in Wade 1997, although it must be noted here that much of what transpired has not been publicly released. Depending on who is consulted on this period, the performance of Bank senior managers in attempting to defuse this situation has been variously assessed as barely adequate, ranging down to something which has been described by a senior Bank official as “a very long way from Bank senior management's finest hour”.

support for commercial logging operations in natural forests<sup>10</sup> (and there would have been few commercial logging operations that would have needed or wanted Bank lending support). However, the reality in the Bank, following the release of this policy, was that the policy very quickly became interpreted by Bank managers and staff much more broadly, in effect to mean that support for any activity that bore any relationship to logging operations in tropical forests was off-limits or, in Bank parlance that was common at the time, was “radioactive”. And of course this was exactly the result that those who had pushed hard for this wording to be incorporated into the policy intended.

Opponents outside the Bank of this approach included many of the bilateral development agencies, forest agencies and researchers in developed and developing countries, and a number of large international environmental NGOs who knew the realities of operating in the field in large forested countries. Most saw the new policy as supine and defeatist, and many argued that excluding the Bank from anything to do with logging operations would prevent the organization from taking any significant role in promoting sustainable forest management (of which logging is an integral part), and would certainly not “save” any tropical forest from destruction<sup>11</sup>.

However, despite attempts at the time within the Bank to draft operational directives that made the limits of the restriction clear, and representations to the Bank from various interest groups (including from some Bank Executive Directors from large forested countries), the reluctance to engage in natural forest management in the tropics induced by the policy wording prevailed for more than a decade. The policy constraint even had impacts on Bank forest programmes outside the tropics in some cases, even though it did not formally apply to Bank activities outside the tropical regions.

### ***6.5.2 The New World Bank Forests Sector Strategy and Policy***

By the mid-1990s, an increasing number of Executive Directors and others had begun to realize that the policy was in fact constraining and counter-productive. This re-think was stimulated by a number of forthright reports from the independent Operations Evaluation Department (OED) of the Bank, which at the time had the role of assessing whether Bank projects, and Bank procedures (including policy directives) were achieving their stated goals. The OED had concluded that the effect of the restriction in the 1991 forests sector policy had gone well beyond a specific exclusion on direct support in Bank lending for commercial logging

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<sup>10</sup>The Bank’s relatively small private sector investment arm, the International Finance Corporation, may well have been considering such projects at the time, but the reality is that the Bank’s Board of Directors would not have placed great store on this when deliberating on Bank-wide policy matters.

<sup>11</sup>A prediction that was certainly borne out in deforestation figures in major Bank client countries with extensive forests in the ensuing decade (see following discussion of OED findings, and the foregoing discussion of the international dialogue on forest sustainability).

operations. OED argued that the 1991 policy had in fact become what it termed a “chilling effect” on Bank engagement in the forests sector generally, skewing what financing did go to the sector almost exclusively towards purely conservation activities, or plantation projects (obviously, not ones that involved removal of native forests first), and away from natural forest management, even though this – with all its difficulties – was the only alternative to unsustainable forest exploitation at any scale in the rainforest countries that had any chance of success. OED also noted that the Bank’s forests policy had not achieved any discernible downward impact on rates of deforestation in tropical forest countries.

The Board of the Bank expressed an interest to Bank management in re-visiting the 1991 forest policy, and an extensive consultative and analytical program to review it was launched. Predictably, as soon as news of this review became public, a broad swathe of interest groups declared their positions on the issues involved, and it soon became clear that the focus of reaction from a faction of the of environmental advocacy groups, and some social action groups as well, was going to be that, whatever else the Bank came up with as new policy guidelines, retention of the tropical forest logging exclusion in the 1991 policy was going to be the *sine qua non* of any constructive engagement on this subject by these groups.

The extensive (and expensive) processes and activities undertaken in producing a new Bank forest policy, and the background sectoral analyses that supported this are outlined in a strategy document supporting the policy paper, published by the Bank (World Bank 2004). The Bank’s new forest sector strategy was built upon three broad objectives for Bank forest sector engagement:

- Harnessing the potential of forests to reduce poverty
- Integrating forests into sustainable economic development
- Protecting vital local and global environmental services and values

Among a list of changes in practice and approach given in the forest sector strategy that would be needed to bring about this new, broader focus of investment in this area by the Bank, two are of particular significance in this present context: First, the strategy document acknowledged that the Bank (and by implication, some other large development agencies) had not been particularly successful in linking forest sector concerns into the broad economy-wide policy and institutional reforms that drive economic adjustment programs in developing countries, even though the linkages between these programs, and impacts on forests and other environmental and natural resource assets, was known in many cases to be strong.

Second, the document accepted the fact that the restriction on effective Bank engagement in sustainable forest management in tropical forests embodied in the 1991 document had indeed had a chilling effect on Bank engagement in the sector, as had been argued by the Bank’s Operations Evaluation Department since 1999, and that this element of policy needed to change.

When the forest policy was finally approved, in 2002, it became one of what were then known as Operational Policies. These had the role of safeguards over Bank involvement in sensitive and controversial areas – there were about ten of them, covering subjects such as environmental assessment, conditions and rights

for involvement of indigenous people likely to be affected by in Bank-financed activities, and for people subject to re-settlement, cultural heritage sites, the forests policy, and so on<sup>12</sup>.

The new policy itself, as approved by the Board of Executive Directors in 2002, was known as OP 4.36, and details of its contents can be found on the World Bank's website. Perusal of this document will reveal that the specific exclusion on Bank support for commercial logging in tropical rainforest has been replaced by a provision that the Bank should support activities in forests that would lead to acceptable sustainable forest management, with appropriate attention to protection of sites that should be conserved, and the document specified some criteria and indicators to guide Bank staff on how to assess whether the required conditions for involvement and investment have been met in any given case, and how progress is to be monitored throughout the investment period.

The reader will probably have divined, at this stage, that the pathway to finalization of the new provision on logging in tropical rainforest was by no means free of controversy. One of the main protagonists of the argument that no change to the original wording in the 1991 Forest policy on logging in tropical forests would be acceptable was the US based Conservation International (henceforth CI), joined at various times by the Environmental Defense Fund, the Rainforest Action Network and a number of others. Later in this chapter, we will discuss the particular case of CI's position, since it provides an unusual insight into the extent that ideology can overwhelm common sense, when the charismatic tropical rainforests are involved.

These groups argued, before the Bank President and other senior managers on a number of occasions, that not only was any change to the policy wording completely unacceptable, but that the Bank should not in any way endorse the idea, in policy or in its sector strategy, of sustainable forest management as one means to retaining forest cover – in the tropics as elsewhere. CI proposed a specific approach to native forests – as we will outline later in this chapter – and argued that the Bank must accept that it was a preferable replacement to sustainable forest management, in all cases.

Some days before the new forest policy was to go before the Board of Executive Directors in late 2002, for consideration and, ultimately, approval, strong external political pressure was brought to bear on the President of the Bank – Jim Wolfensohn – in effect demanding that the Bank withdraw this new policy from the Board process, and suggesting pointedly that the President's own environmental legacy in the Bank was under severe threat if this did not occur. A strong rumour ran around Washington in the ensuing days that Wolfensohn had caved in to this pressure, and that the position CI and others had been arguing had prevailed – but unanimous approval of the policy by the Board, in a meeting chaired by the President himself just a couple of days later, revealed that this was emphatically not the case.

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<sup>12</sup>Considerable amalgamation and integration of these policies into broader Bank procedures has occurred since this time, and the details of how policy now works in the Bank can be found on the Bank website.

This series of events reveals the power that ideology can attain, relative to pragmatism and the art of the possible, in certain elements of the international forests constituency. The idea that an organization such as the Bank could simply abandon sustainable forest management as an important plank in the broad project of retaining and protecting as much forest globally as is feasible, was totally unrealistic and unreasonable, yet it was able, in effect, to garnish the support of some high profile political figures, and of many other interest groups, in attempting to place pressure on the Bank to abandon sustainable forest management.

### 6.5.3 *The Chill Is (Not) Gone*

For better or worse, the Bank's review of policy provided a platform and a focus for debate on some fundamental issues around forestry and development, and interest groups across the spectrum of opinion had been called upon to declare themselves one way or another. Two developments that have occurred since Board approval of the new forest sector policy and strategy that are worthy of note:

It became apparent that once the new policy was approved in the Bank, the rancorous and widespread campaigns being waged on websites and in forums around the world on its content virtually ceased, within a short time frame. Many observers were surprised by this. However, Bank staff and members of other groups closely involved in development of the new policy were less so, having seen that the campaigning activity had more to do with attempts by many of the groups involved in it to leverage their own political position and organizational profiles while the issue was prominent in international forests constituency circles, than with a serious attempt to engage in a pragmatic debate about what might and might not work for donor engagement in natural forest management in developing countries. The strategy in organizations which remain opposed to the Bank's new approach shifted back to raising objections to specific forest sector projects under implementation or consideration by the Bank. As will be noted below, the Bank has left itself open to continuing criticism in this area through an incomplete and in some cases ineffective implementation of the new strategy.

Even more seriously, from the viewpoint of genuine progress in establishing sustainable forest management in natural forests of the developing world, the salutary effects that might have been expected to flow from a new and more progressive policy on the Bank's own engagement in natural forests management have proven to be rather more elusive than was hoped, and indeed was projected in the forest sector strategy document that accompanied the new Bank forest policy. It would seem that some staff and much of management in the Bank continue to regard involvement in anything other than the blandest and lowest profile activities in the sector with trepidation, and the Geiger-counters focused on political and reputational risk from the sector still register strong signals within the organization.

Contreras-Hermosilla and Simula (2007) have reviewed progress with implementation of the Bank's new approach to forests, and have found that in

the 5 years that had elapsed since release of its new forests sector policy and strategy, while some progress has been made, much remains to be done:

- While the Bank has had some success in extending its engagement in non-tropical forests (especially in the newly emerging economies of the Russian federation, Georgia, Romania and others), its overall level of engagement in forests remains well below targets set out (and approved by the Board) in the forest sector strategy. The involvement in tropical forests in particular remains modest, and still mired in many cases in controversy. The focus on poverty reduction – a key pillar of the forest sector strategy – has been made appropriately in some cases (the authors cite recent projects in Albania, Gabon and Nicaragua as examples), but not in others. The authors are particularly critical of the continued failure of the Bank to allocate sufficient financial resources to carry out the economic and sector analyses that are needed to identify the potential for effective contributions forests can make to poverty alleviation, economic growth and environmental services, even though this was a major subject of discussion in both the public consultative process that was carried out to support design of the new forest strategy, and in Board deliberations on the new strategy.
- The authors acknowledge that the Bank has made significant efforts in some countries to mainstream the elements of the new strategy, outlined in the previous section, by incorporating forest sector reforms into larger economic strategy documents on country assistance, and poverty reduction, and including broader reforms into forest sector investment projects. In some cases the Bank has also taken into account the impact of its broad-based economic reform programs, based on what the Bank terms Development Policy Lending<sup>13</sup>, on forests, and made appropriate adjustments accordingly. However, the authors note that this has not been done in all cases where it should have occurred, thus perpetuating the institutional divide which has built up in the Bank between specific environmental and sectoral outcomes, and broad economic adjustment programs and, in the process, missing opportunities to build progress towards the Millenium Development Goals<sup>14</sup> to which the Bank is a signatory.
- In some internal institutional areas, such as collaboration between the Bank's private sector arm (the International Finance Corporation) and the rest of the organization in sectoral investments, and partnerships with outside agencies such as the alliance with the World Wide Fund for Nature, and the multidonor Program on Forests, there has been some progress, but these initiatives remain less coordinated and systematic than they should be. The authors note that

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<sup>13</sup>This issue will be discussed in Chapter 7 of this book.

<sup>14</sup>The Millennium Development Goals (MDGs) are eight goals to be achieved by 2015 that respond to the world's main development challenges. They are drawn from actions and targets identified in the **Millennium Declaration** that was adopted by 189 nations-and signed by 147 heads of state and governments during the Millenium Development Summit in September 2000. Forests issues are covered under Goal no 7: Ensure environmental sustainability. More details on this initiative can be found on the United Nations MDG website.



implementation of Bank safeguard policies in the areas of environment and natural habitat protection, indigenous people and re-settlement has been uneven. The Bank's Inspection Panel (which investigates complaints about policy breaches in Bank activities reported by outside observers) has recorded some serious problems with appropriate implementation of policy in some cases related to logging in natural tropical forests. Indeed, it can be expected that any new Bank project in this area will continue to be challenged by some well-organized international NGOs which can, through their local networks, engage a local NGO to submit a claim targeted at an inquiry by the Bank's Inspection Panel. This increases the Bank's image risk, leads to costly delays in project processing and chills the management appetite for any interventions in the forest sector.

### ***6.5.4 Problems with Ideology: The Conservation International case***

Conservation International is one of the powerful "Beltway" environmental non-governmental organizations based in Washington which have strong political connections. These NGOs are highly skilled in raising financing and they are competing not only for the same sources of funding but also "flagship" projects and initiatives as part of their image building. It has access to large funds through its contacts with corporate figures such as Gordon Moore<sup>15</sup>, and it can reach large segments of the public, through its formidable publicity infrastructure, which has used the services of Hollywood stars such as Harrison Ford to promote its messages and, importantly, the CI brand itself.

In 1998, CI challenged the validity of sustainable forest management (SFM) as a means of replacing the very high rates of loss of natural forests that were occurring in many developing countries – especially in tropical rainforests – with systems of use that would allow retention of more forest, and conservation of some of it.

CI's argument came as something of a shock, because sustainable forest management, regardless of its difficulties (which had led to the plethora of discussion and international agonizing over proposed solutions to its effective implementation discussed earlier in this book) was regarded by most involved in the international forests constituency as essential in the mix of approaches needed to address runaway deforestation. Few practitioners argued that application of SFM in the real world of forest-rich developing countries was ever going to be easy. Their view in general was (and remains) that SFM must be made to work: it is a necessary condition to virtually everything else that needs to happen in forests. Most bilateral

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<sup>15</sup>Moore is the founder of INTEL, the world's largest semiconductor company and a major presence in the development of microprocessors.



development agencies, multilateral development banks, and large international environmental organizations such as the World Wide Fund for Nature (WWF), and the International Union for Conservation of Nature (IUCN), had accepted the inevitability of making the concept work, even if they occasionally disagreed on how this should be done, and what would constitute success.

As discussed in Chapter 2 of this book, the main problem with SFM implementation has been (and to a large extent remains) that there was never sufficient funding available from the international forests constituency to compensate potential losers from replacing exploitive, unsustainable logging operations with sustainable alternatives. Moreover, as noted in the previous sub-section, relatively little has been done to advocate to governments the necessity to link forest outcomes to broader economic policy. The net result has been that governments in countries where deforestation has been significant have not generally accepted (to the extent of developing and implementing effective policy) that the country's best long term interests would be served by enforcing a sustainable management regime in its natural forests – or at least, in a significant proportion of that resource. There were, in fact, relatively few cases where the real economic, social and environmental costs of excessive forest loss were even calculated, let alone incorporated into existing markets and policy.

In a policy note published in *Science* magazine, the CI authors (Bowles et al. 1998) signalled a particular interest in interdicting the application of SFM in the World Bank which was, at the time, beginning to reconsider its organizational approach to investment in forests (see next section):

...recent years have seen a growing criticism of SFM itself – and particularly its utility as a conservation strategy .... The next chapter in this debate is currently taking shape as the World Bank considers whether to lift its 1991 policy that bars investment in logging operations in primary tropical forests. The Bank's deliberations bring a seemingly abstract debate into sharper focus. The questions before the Bank and its many constituencies are simple: Will new investments in logging operations help to curb deforestation? Can the Bank and its partners bring about sustainable forest management in these operations? And, most important, will this lead to conservation? In our view, the answer to these questions is, broadly speaking, no<sup>16</sup>.

In subsequent publications (see, for example, an in-house CI report on the subject by Rice et al. (2001)), CI developed this idea, reviewing historical examples of international development assistance – funded attempts to implement SFM in the field (mostly unsuccessful), and citing prior studies of the economics of sustainable forest management (compared to non-sustainable logging alternatives) – most of which showed SFM to be less profitable, in purely financial terms as evaluated using commercial interest rates, to a more rapid, exploitive logging operation.

As will be evident from the discussion earlier in this section of attempts by the international forests constituency to introduce SFM, CI's diagnosis on this matter was, to say the least, no revelation to most members of that constituency: basic discounting at the commercial interest rates prevalent in developing countries,

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<sup>16</sup>From Bowles et al, *SCIENCE* 280:1899 (1998). Reprinted with permission from AAAS.

without convincing valuation of the ecosystem services available from a managed forest, made such a result almost inevitable. This is one of the reasons why many in the conservation movement had promoted, or supported, the use of social discount rates, and the valuation of as many of the non-monetized (or at least, non-marketed) goods and services that intact forests provide, as a basis for evaluating SFM alternatives, since this would be more likely to alert governments and other interest groups to the potentially very high long-run costs of exploitive logging that would not show up in purely financial calculations. Given this, it was quite extraordinary to find a purportedly conservation-oriented organization basing its argument that SFM was a total failure on studies of financial returns to logging, using unadjusted market rates of discount.

CI's alternative to attempting to undertake forest conservation within an SFM context is to allow an initial, usually quite heavy, logging operation to extract the bulk of wood value from a given site, and then to utilize conservation grant funds to finance a closure of the forest to further logging after that (sometimes by means of a conservation concession, whereby the rights to future use of the forest are purchased using the same mechanism under which logging concessions are issued in many countries with large natural forests) – the purpose being, in this case, to allow biodiversity and other ecological values to recover in the long term.

The original location where this approach was developed was in the Chimanes Forest, in Bolivia, and much of what was argued by CI and others attracted to this approach subsequently for other forests in other regions was little more than an indiscriminate generalization of this result. In fact, the situation represented in this forest is quite unusual: the wood values of this particular forest are dominated by very large mahogany trees which occur at very wide spacings amongst a broad range of other species and shrubs. Because of the very high international prices which mahogany logs attract (especially old growth mahogany, as opposed to plantation grown material), this in effect means that more than 90% of the total log value of these forests will be held in these few, old trees. In such a case, it is feasible that removal of virtually all the high value trees could be achieved in an initial logging operation over several years, and that this level of wood value would not then recover on these sites for a very long time – if ever. If carefully done, the initial logging operation would not unduly damage the remaining biodiversity on the site.

However, the same process could not be as easily undertaken, for example, in the dipterocarp forests of Asia, or the equivalent rainforests of the Pacific islands west of the Wallace Line, nor much of the African mixed hardwood forests, nor indeed of much of the rainforest in Latin America either. In all of these cases, purely commercial logging operations, if permitted (or tolerated) would seek to remove much more of the total log volume (much less valuable, on a per unit basis, than the mahogany forests) in these forests, and repeated re-entry into the forests after a fairly short interval as trees that were initially too small to log grow to a commercial size would be feasible. In such cases, the temptation to log the forest initially at rates well in excess of those that would be permitted under a genuinely sustainable silvicultural regime, and then to return continuously to that same forest as sufficient new volume grew to commercial size, would be strong, and the result

of such a regime would certainly not be a biodiversity enthusiast's dream; indeed, after a fairly short while, it would in all probability not qualify as a forest at all. This pattern of use has in fact been the norm in many forested areas in the tropics in recent decades, and in most cases the end result of a degraded or even non-existent forest holds no threat to the interests of many of the groups involved in this process, since conversion to other land use has often been their objective from the beginning.

Little wonder then, that even some of the staff of CI itself – especially those with field experience in the forests of South East Asia – were quite alarmed at the organization's proposal. CI's belief that the purchase of a conservation concession following an initial logging will be sufficient to eliminate the likelihood of forest degradation fails a basic reality test: at the scale of global deforestation, the amount of funds that would be needed to pay for the establishment of conservation concessions over a significant area of forest would be enormous. To do so in perpetuity, considering that any future government may not feel itself bound to any agreements originally made on this matter, would be even harder. Consider the case of just one country, Indonesia. At the height of logging operations in the rainforest in that country, in the late 1990s, the value of logs being extracted, under operations that were for the most part unsustainable, averaged in excess of \$US 4 billion per annum. A significant proportion of that amount would have been needed to compensate interest groups and stakeholders in that country – ranging from the various levels of governments through to local communities, and including the range of forest industries and oil palm and other potential beneficiaries of deforested sites – for there to be a significant possibility that genuinely sustainable operations in those forests could be maintained. What CI never did, in promoting its approach to the point where exclusion of any SFM option was mandatory, was provide a rational case that its approach could work at a global scale, given the realistic constraints on funding available.

Like many environmental groups, CI's basic *raison d'être* for its position on this issue was the perfectly honourable and desirable one of promotion of conservation in natural forests, especially in the tropics. Its approach of log-and-then-leave on a conservation concession basis would be suitable in a forest where the sort of operation it calls for would in any event be close to the commercially preferred operation, or where the area of forest intended for protection is sufficiently small, and sufficiently valuable in terms of biodiversity and other non-wood assets, to justify a large grant. However, this in no way represents the generality of situations that present in tropical forests. In that sense, CI's remedy for excessive and destructive deforestation certainly has no more prospect of success at a global scale than the attempts to introduce SFM have had to date – and indeed, as suggested earlier, almost certainly has less.

Had CI been satisfied, when introducing its alternative to SFM, to advance its critique of SFM itself, and of certification and other aspects of the SFM approach, and to then proceed with its own alternative, that would probably have been the end of the matter, in terms of its public profile. However, as noted in the discussion earlier in this chapter on the Bank's new forest policy, CI and its supporters opted

instead to launch a campaign to make SFM actually off-limits to the World Bank and, by extension (or perhaps, in the eyes of CI itself, by example) other development agencies. This is a clear case of where the ends that CI intended to achieve were not justified by the means adopted to pursue them: CI's version of these ends were at the time in global terms simply unattainable.

In pursuing this approach to the extent and by the means it did, CI left the realm of ideas, and entered that of ideology. It sought to force others inexorably to the conclusion it had drawn itself; that its log-and-then-leave solution for forest conservation was, in fact, the only one. CI at this point could be described to have replaced conservation with *conservationism* – a doctrinal, advocacy driven approach that existed to provide continuous justification for a chosen ideology, rather than a pragmatic, results-driven program to move out the boundaries where acceptable management of forests to retain them as intact forests could be implemented.

In essence, our argument is that the problem with SFM, as applied (or not applied) in the heavily forested developing countries, has always been a lack of funds to implement it. As we will show in the following chapter in this book, if there are not sufficient funds to transform incentives on the part of those agents who are causing deforestation – or who are failing to arrest it – then deforestation will continue. Of course, the capacity of agencies responsible for forests to implement regulations which call for retaining forests is often weak; the ability of local communities to engage in forest stewardship is often constrained; the political will to arrest deforestation is usually modest at best, and compromised in many cases by corruption. But none of these problems can be effectively addressed in a financial vacuum.

The same lack of funds would prevent the CI approach from working at scale in any situation where deforestation is intense, but the organization's ideological enthusiasm led it to assume that what has worked at a small scale in a very specific situation would therefore work anywhere. Compromise is often seen as the enemy of an ideology; it is believed to play into the hands of the governing group. Therefore SFM – being essentially a compromise on forest use – was seen by CI as a fatally flawed approach.

## 6.6 Developing Perspectives on Sustaining Forests

It would be reasonable to suggest that concern for resource sustainability and environmental protection should have remained high on the public debate agenda globally – under the impetus of the many large international colloquiums and conferences that have been held on the subject. However, as we observed in Chapter 2, this has not proven to be the case, and the resolutions from these many meetings has not yet been translated into effective action and policy to address the concerns raised. In the world of national reform and policy responses, the speed of adjustment of modern economies, firstly towards an understanding that degradation of environmental systems and constraints on natural resources are beginning to limit conventional

economic growth, and secondly towards development of policies that are adequate in design and scale to address this problem, remains slow.

If anything, the microcosm of this situation represented in the forests sector has made even less progress. The international dialogues on forests – especially on what should happen to the world's diminishing store of natural forests – has, as we have noted, been less influential on public opinion than the broader global dialogues on environmental sustainability, and the implementation of appropriate policy responses even less effective than in the general case. The international forests constituency has not to date produced a significant and implementable consensus on what needs to be done, and by whom. It is equally apparent that there are not going to be easy, neat solutions; sustainable forest management is an approach that can work where all, or at least the most important of, interest groups support the objective embedded in the concept, but not otherwise.

The observation we make here, in light of this history, is that there is an asymmetry in the capacity of what might be termed advocacy groups to mount toxic campaigns against what they identify as the enemies of the environment, and the ability of large implementing agencies such as the Bank to counter these campaigns. Despite their claims to field experience and successful programmes on forests, many advocacy groups exist primarily to campaign; but neither the Bank, nor other agencies focused on implementation of investment projects, exist simply to counter such tactics. It was quite evident in the policy process described above that many of the more mainstream NGOs working on forests were opposed to the positions of CI and its allies on this matter, but when they considered whether to raise their voices in defence of a more rational approach, they had to consider the risk that by doing so they would themselves become targets of the radical group, and be forced to invest time and resources into defending their own positions, rather than doing what they existed to do: activities in the field that could improve the environment and the situation of people living in it.

The crux of much of the debate over maintaining natural forests is really the issue of how the various interest groups who have some agency over what happens to those forests actually value them and, in cases where that is leading to perverse results, to what needs to be done to alter perceptions and behaviour of those groups. The next chapter will examine the issue of forest value more closely, with a view to gaining some perspective on approaches that have been applied to this in the past, and what others might be tried in the future.

Trade in forest products, and approaches such as certification of timber as having originated from sustainably managed forests are critical elements in the value question, and this aspect of forest valuation was examined in more detail in Chapter 4.

The forest carbon issue has the potential to be transformative of the whole forests sustainability issue: It has been said by more than one member of the international forests constituency that the potential to market avoided deforestation – or, more directly, the suite of ecosystem benefits that would result from this – in the large natural forests of the developing world offers the first real prospect, in the modern era, to convince those interest groups which currently control forest outcomes in

those countries that their forests might, in fact, be worth more alive than dead. This is the subject we move to in the next chapter of this book.

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